



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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September 29, 2010

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
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Karen Majcher
Vice President, High Cost & Low Income Division
Universal Service Administrative Company
2000 L Street, NW, Suite 200
Washington, DC 20036

RE: CC Docket No. 96-45
Annual State Certification of Eligible Telecommunications Carriers
Annual Certification of Non-Rural ILEC Basic Rates in Rural Service Areas

Enclosed is Order No. 10-374 of the Public Utility Commission of Oregon (OPUC), entered on September 29, 2010, pursuant to the annual certification requirements of 47 C.F.R. § 54.314 and 47 C.F.R. § 54.316.

Pursuant to the requirements of 47 C.F.R. § 54.314, Exhibit A in Appendix A to OPUC Order No. 10-374 lists the eligible telecommunications carriers (ETCs) certified to receive federal universal service (USF) high cost support in Oregon. These ETCs are rural ILECs and competitive ETCs designated in rural ILEC service areas. A copy of Exhibit A is included immediately following this cover letter for your use.

Pursuant to the requirements of 47 C.F.R. § 54.316, Exhibit B in Appendix A to OPUC Order No. 10-374 displays the basic service rates charged by non-rural incumbent local exchange carriers (ILECs) in their rural Oregon service territories. As all of the rates listed are below the safe harbor rate of \$36.52, they are presumed reasonably comparable to urban rates nationwide. The Order includes the Commission's certification to this effect.

Please address any questions to Kay Marinos of the OPUC Staff at (503) 378-6730.

Bryan Conway
Administrator
Telecommunications Division

Enclosures



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Exhibit A

**Eligible Telecommunications Carriers (Oregon Rural ILECs and CETCs)
 Certified to Receive Federal Universal Service Fund High Cost Support**

Company	USAC Study Area Code
1 Asotin Telephone Company	532404
2 Beaver Creek Cooperative Telephone Co.	532359
3 Canby Telephone Association	532362
4 Cascade Utilities, Inc.	532371
5 CenturyTel of Oregon, Inc. <i>dba CenturyLink</i>	532361
6 CenturyTel of Eastern Oregon, Inc. <i>dba CenturyLink</i>	532361
7 Citizens Telephone Co. of Oregon, Inc.	533401
8 Clear Creek Mutual Telephone Company	532363
9 Colton Telephone Company	532364
10 Eagle Telephone System, Inc.	532369
11 Gervais Telephone Co.	532373
12 Helix Telephone Company	532376
13 Home Telephone Company	532377
14 Molalla Communications Company	532383
15 Monitor Cooperative Telephone Company	532384
16 Monroe Telephone Company	532385
17 Mt. Angel Telephone Company	532386
18 Nehalem Telecommunications, Inc.	532387
19 North-State Telephone Company	532388
20 Oregon-Idaho Utilities, Inc.	532390
21 Oregon Telephone Corporation	532389, 532226
22 People's Telephone Company	532391
23 Pine Telephone System, Inc.	532392
24 Pioneer Telephone Cooperative	532393
25 Roome Telecommunications, Inc.	532375
26 Scio Mutual Telephone Association	532397
27 Stayton Cooperative Telephone Company	532399
28 United Telephone Co. of the Northwest <i>dba CenturyLink</i>	532400
29 St. Paul Cooperative Telephone Association	532396
30 Trans-Cascades Telephone Company	532378
31 United States Cellular Corporation	539002
32 Edge Wireless, LLC <i>dba AT&T Mobility LLC</i>	539004
33 Eagle Telephone System, Inc. <i>dba Snake River PCS</i>	539007
34 AT&T Mobility LLC <i>fka Cingular Wireless</i>	539006

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1477

In the Matter of

THE PUBLIC UTILITY COMMISSION
OF OREGON

2010 Annual Recertification of Eligible
Telecommunications Carriers.

ORDER

**DISPOSITION: ELIGIBLE TELECOMMUNICATIONS CARRIERS
CERTIFIED TO RECEIVE FEDERAL UNIVERSAL
SERVICE HIGH COST FUND SUPPORT;**

**BASIC SERVICE RATES CHARGED BY NON-RURAL
LOCAL EXCHANGE CARRIERS IN RURAL AREAS
CERTIFIED TO BE COMPARABLE TO A NATIONAL
URBAN BENCHMARK; AND**

ANNUAL RECERTIFICATION FILINGS ACCEPTED.

ELIGIBLE TELECOMMUNICATIONS CARRIERS

Section 214 (e)(2) of the Telecommunications Act of 1996 (the Act), provides that a state commission shall designate those common carriers eligible to receive universal service support (USF) in accordance with Section 254 of the Act. Section 254 (e) of the Act provides, in part, as follows:

(e) Universal Service Support.—After the date on which Commission regulations implementing this section take effect, only an eligible telecommunications carrier designated under section 214(e) shall be eligible to receive specific Federal universal service support.

The Public Utility Commission of Oregon (Commission) first exercised this authority on December 2, 1997, when it designated 34 incumbent local exchange carriers (ILECs) as eligible for federal USF support.¹ On June 24, 2004, the Commission designated two Commercial Mobile Radio Service (CMRS) carriers, RCC Minnesota, Inc., and United

¹ See Order No. 97-481.

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States Cellular Corporation (US Cellular), as authorized to receive federal USF support.² RCC Minnesota relinquished its ETC status in 2009, after being acquired by Verizon Wireless.³ On August 29, 2005, the Commission designated a third CMRS carrier, Edge Wireless, LLC, as a carrier authorized to receive federal USF support.⁴ The Commission also designated two other carriers, VCI Company and Wantel, as eligible to receive federal USF support, but only in non-rural ILEC areas.⁵ VCI later relinquished its eligible telecommunications carrier (ETC) status.⁶ The Commission designated Eagle Telephone System, Inc., dba Snake River PCS,⁷ and AT&T Mobility LLC, fka Cingular Wireless, LLC⁸ as ETCs. In docket UM 1456, the Commission designated LCW Wireless, LLC, dba Cricket Wireless, as an ETC for the purpose of receiving federal low-income support only.

Under 47 CFR §54.314, a state that desires eligible telecommunications carriers within its jurisdiction to receive federal universal service support in rural areas must file an annual Certification with the USF Administrator and the Federal Communications Commission (FCC) “stating that all federal high-cost support provided to such carriers within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” 47 CFR §54.314, subsection (c), sets the requirements for the format of the Certification.

In compliance with those federal requirements, the Commission certified the eligibility of Oregon’s designated telecommunications carriers at public meetings in 2001 (Order No. 01-819), 2002 (Order No. 02-605), 2003 (Order No. 03-551), 2004 (Order No. 04-532), 2005 (Order No. 05-1049), 2006 (Order No. 06-537), 2007 (Order No. 07-420), 2008 (Order No. 08-481), and 2009 (Order No. 09-376). This Order addresses eligibility certification for 2010.

In certifications prior to 2006, the Commission relied on affidavits provided by corporate officers of the eligible telecommunications carriers (ETCs) that attested to their use of federal USF high cost funds. While such affidavits were required for recertification this year as well, the Commission adopted additional requirements in Order No. 06-292.

Carriers filed annual recertification reports for 2006 in docket UM 1217, the docket that established annual reporting requirements. Carriers filed annual recertification reports for 2007 in docket UM 1310; for 2008 in docket UM 1375; and for 2009 in docket UM 1426. At Staff’s request, the Commission opened a new docket, UM 1477, to facilitate submission and processing of reports for 2010 recertification. All ETCs submitted the required filings, including affidavits attesting to the use of support funds for the intended purposes. Based on this information, and because the continued receipt of federal USF high cost support is vital to maintaining reasonable basic service rates in these rural service areas,

² See Orders No. 04-355 and 04-356.

³ See Order No. 09-153.

⁴ See Order No. 05-965.

⁵ See Order Nos. 03-749 and 05-856.

⁶ See Order No. 07-027.

⁷ See Order No. 07-103.

⁸ See Order No. 07-111.

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Staff recommends the Commission certify that the ETCs are authorized to receive federal USF high cost support under 47 C.F.R. §54.314. Staff also recommends that the Commission accept the 2010 annual recertification filings submitted by all ETCs, rural and non-rural, in compliance with Order No. 06-292. A complete description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Several companies' structures have changed since last year's annual recertification. Malheur Telephone was incorporated into its parent company, Qwest Communications. As a consequence of that transaction, Malheur no longer exists as an entity and no longer is designated as an ETC in Oregon. Midvale Telephone Exchange reallocated all of its service territory in Oregon to another ETC, Oregon Telephone Corporation. Midvale no longer provides telecommunications service in Oregon and is no longer designated as an ETC. Third, Verizon Northwest Inc. sold its Oregon exchanges to Frontier Corporation. The company operating in those exchanges is now known as Frontier Communications of the Northwest Inc.

The Commission adopted Staff's recommendations at its Public Meeting on September 21, 2010. The Staff Report, which includes a list of the 34 carriers certified to be eligible to receive federal high cost support under 47 C.F.R. § 54.314, is attached to this order as Appendix A and incorporated by reference. Staff will continue to monitor the performance of all ETCs and reserves the right to bring any concerns it may have to the Commission at a later date.

RURAL TO URBAN BASIC SERVICE RATE COMPARABILITY

47 CFR §54.316 requires each state to annually review the comparability of residential rates in rural areas served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify to the USF Administrator and the FCC whether the rates are reasonably comparable. This determination is made by comparing basic service rates charged by non-rural ILECs in their rural service areas to a national average benchmark for urban basic service rates determined by the FCC.

In compliance with this federal requirement, Staff conducted an analysis of the basic service rates charged by Oregon's non-rural ILECs, Qwest and Frontier, in their rural service territories. Staff's analysis indicates that in many rural exchanges, Qwest and Frontier charge basic service rates below the current national average urban benchmark of \$25.62 as calculated by the FCC. In all cases, basic service rates charged by Qwest and Frontier in rural exchanges are significantly below the FCC's current "safe harbor" rate of \$36.52 per line per month.

We addressed the rural to urban basic service rate comparability matter at our Public Meeting on September 21, 2010, and adopted Staff's recommendation to certify that the basic service rates charged by Oregon's non-rural ILECs in their rural service areas are comparable to basic service rates charged in urban areas. A summary of basic service rates

charged by Qwest and Frontier in each rural Oregon County where they provide service is set forth in Exhibit B to Appendix A.

CONCLUSIONS

The telecommunications carriers listed in Exhibit A of the Staff Report are qualified for annual certification as telecommunications carriers eligible to receive federal universal service high cost support. The basic service rates charged by non-rural ILECs and CETCs in their rural service areas are certified to be comparable to urban rates. The 2010 annual recertification filings of all ETCs are accepted.

ORDER

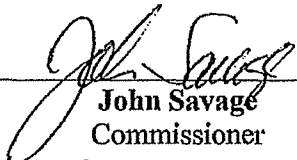
IT IS ORDERED that:

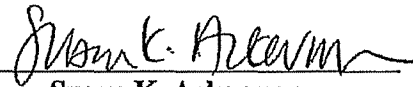
1. The rural telecommunications carriers listed in Exhibit A to the Staff Report are certified as telecommunications carriers eligible to receive federal universal service support under 47 C.F.R. § 54.314;
2. We certify that the basic service rates charged by non-rural ILECs in their rural service areas, as summarized in Exhibit B of the Staff Report, are reasonably comparable to urban basic service rates nationwide under 47 C.F.R. § 54.316; and
3. We accept the 2010 annual recertification filings of all eligible telecommunications carriers currently designated in Oregon.

Made, entered; and effective SEP 29 2010.


Ray Baum
Chairman




John Savage
Commissioner


Susan K. Ackerman
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2010

REGULAR X CONSENT EFFECTIVE DATE N/A

DATE: September 9, 2010

TO: Public Utility Commission

FROM: Celeste Hari ^{CH} and Mitch Moore ^{MM}

THROUGH: Lee Sparling ^{LS}, Bryan Conway ^{BC} and Kay Marinos ^{KM}

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1477) 2010 Annual Recertification of Eligible
Telecommunication Carriers.

STAFF RECOMMENDATION:

Staff recommends that the Commission:

1. Certify that the rural incumbent local exchange carriers (ILECs) and the competitive eligible telecommunications carriers (CETCs), listed in Exhibit A to this report, are authorized to receive federal Universal Service Fund (USF) high cost support pursuant to 47 C.F.R. § 54.314;
2. Accept the 2010 annual recertification filings of all eligible telecommunications carriers (ETCs); and
3. Certify that the basic service rates charged by non-rural ILECs in their rural service areas, as summarized in Exhibit B to this report, are reasonably comparable to urban basic service rates nationwide pursuant to 47 C.F.R. § 54.316.

DISCUSSION:

A. Certification of Rural ILECs and CETCs

Section 214(e)(2) of the Telecommunications Act of 1996 (Act) authorizes state public utility commissions to designate telecommunications carriers eligible to receive federal USF high cost support. The Commission first exercised this

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authority in December 1997 when it designated Oregon's ILECs as ETCs.¹ Since then, the Commission has designated five wireless carriers operating in various service areas of rural and non-rural ILECs as CETCs authorized to receive federal USF high cost support.² The Commission designated one non-ILEC wireline carrier as a CETC in the service areas of Qwest Corporation (Qwest), and another in the service areas of Qwest and Frontier Communications Northwest Inc. (Frontier).³ The Commission recently designated one wireless carrier as an ETC to receive only low income support in various service areas of rural and non-rural ILECs.⁴

Several companies' structures have changed since last year's annual recertification. Malheur Telephone was incorporated into its parent company, Qwest Communications. As a consequence of that transaction, Malheur no longer exists as an entity and no longer is designated as an ETC in Oregon. Midvale Telephone Exchange reallocated all of its service territory in Oregon to another ETC, Oregon Telephone Corporation. Midvale no longer provides telecommunications service in Oregon and is no longer designated as an ETC. Third, Verizon Northwest Inc. sold its Oregon exchanges to Frontier Corporation. The company operating in those exchanges is now known as Frontier Communications of the Northwest Inc.⁵

Section 54.314 of the FCC rules requires state public utility commissions to annually certify that rural ILEC ETCs, and CETCs operating in the service areas of rural ILECs, are using their federal USF support in compliance with Section 254(e) of the Act. That section of the Act requires that federal USF high cost

¹ See Order No. 97-481, Docket UM 873.

² See Order No. 04-355 in Docket UM 1083 designating RCC Minnesota, Inc.; Order No. 04-356 in Docket UM 1084 designating US Cellular Corporation; Order No. 05-965 in Docket UM 1177 designating Edge Wireless, LLC; Order No. 07-103 in Docket UM 1306 designating Eagle Telephone System, Inc., dba Snake River PCS; and Order No. 07-111 in Docket UM 1253 designating AT&T Mobility LLC fka Cingular Wireless, LLC. RCC Minnesota relinquished its ETC status in 2009, after being acquired by Verizon Wireless. See Order No. 09-153 in Docket UM 1083.

³ See Order No. 03-749 in Docket UM 1107 designating Stan Efferding, dba VCI Company, and Order No. 05-856 in Docket UM 1202 designating Comspan Communications, Inc. fka Wantel Inc. In 2007, VCI relinquished its ETC status. See Order No. 07-027 in Docket UM 1107.

⁴ See Order No. 10-070 in Docket UM 1456 designating LCW Wireless, LLC dba Cricket Wireless.

⁵ See Order No. 09-483 in Docket UM 1451 regarding Malheur Telephone, Order No. 09-399 in Docket UA 151 regarding Midvale Telephone Exchange and Order No. 10-067 in Docket UM 1431 regarding Verizon.

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support be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The Commission must provide this annual certification to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) by October 1st of each year in order for the rural ETCs to continue receiving high cost support.

From 2001 through 2005, this annual certification (also referred to as "recertification") was achieved by requiring the corporate officers of rural ILECs and CETCs to provide a sworn affidavit attesting to their use of federal USF high cost funds.⁶ While the requirement to provide such affidavits continues, additional requirements for recertification were adopted by the Commission in Docket UM 1217, Order No. 06-292, entered on June 13, 2006.

To meet the annual recertification requirements, each ETC must formally file specific information designed to demonstrate that the ETC: offers the supported services; will provide, and advertise, the supported services throughout its designated service area; offers and advertises low-income services (Lifeline, Link Up, and OTAP); is able to remain functional in emergencies; is committed to service quality and consumer protection; and uses support funds for their intended purposes. The required reports are generally comparable for all ETCs, with one significant exception. CETCs that receive high cost universal service support must submit a network improvement plan explaining how they used support funds in the previous year and how they will use support funds in the coming two years. For reasons explained in the Order, ILEC ETCs are not required to submit such plans.

Carriers filed annual recertification reports for this year under Docket UM 1477. Per Order No. 06-292, recertification reports are due each year on July 15. All ETCs met the filing deadline this year. Staff reviewed each carrier's report for completeness, and contacted any companies that submitted incomplete or apparently erroneous reports. All such reports were re-filed to correct errors and achieve completeness.

Staff also reviewed the network improvement plans of each CETC to verify that: 1) support funds received in 2009 were spent as planned, and 2) projects planned for 2010 and 2011 represent appropriate use of support funds. Staff held discussions with each CETC regarding the details of their network improvement plans. In some cases, Staff requested a few modifications to the plans to better meet the objectives of the program, and the CETCs agreed to the changes. The plans now on file reflect the goals of the universal service program

⁶ See PUC Orders 01-819, 02-605, 03-551, 04-532, and 05-1049 in Docket UM 873.

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and their implementation will result in significant benefits to rural wireless consumers.

Based on the information contained in the filed reports, including signed affidavits attesting to the use of support funds for the intended purposes, and because the continued receipt of federal USF high cost support is vital to maintaining reasonable basic service rates in the service areas of rural ILECs,⁷ Staff recommends that the Commission certify that the rural ILEC ETCs, and the CETCs designated in rural ILEC areas, listed in Exhibit A to this memo, are authorized to receive federal USF high cost support pursuant to 47 C.F.R. § 54.314.

B. Review of 2010 Annual Recertification Reports

In Section A of this memo, Staff discussed the annual recertification reports of the rural ILEC ETCs and CETCs designated in rural ILEC service areas. These are the carriers the Commission must certify annually to the FCC. Order No. 06-292 also requires another group of ETCs -- the non-rural carriers -- to submit annual ETC reports. In Oregon, there are two non-rural ILEC ETCs -- Qwest and Frontier. There is also one CETC, Comspan Communications, Inc. (Comspan), designated only in non-rural ILEC service areas. The Commission is not required to recertify Qwest, Frontier, and Comspan to the FCC each year because they do not receive rural high cost support. These three carriers receive only Interstate Access Support (IAS) and low-income support, for which they recertify directly to the FCC and USAC each year. Staff has verified that each carrier has already submitted affidavits to meet this year's FCC recertification requirements for these types of support.

Although these ETCs certify directly to the FCC each year without Commission action, Order No. 06-292 requires these ETCs to submit annual reports to the Commission in order to provide evidence that they are fulfilling their universal service obligations. If the Commission finds that any ETC is not fulfilling all its universal service obligations, the Commission may revoke that ETC's certification, thereby prohibiting it from receiving any kind of federal universal service support. Based on review of the information that Qwest, Frontier, and Comspan have submitted in their annual reports, Staff sees no reason for the Commission to consider revocation of any of these carriers' ETC status at this time.

⁷ Oregon's rural ILECs will receive approximately \$49 million from federal USF high cost support programs in 2010. Federal USF high cost support programs include high cost loop support, local switching support, interstate access support, and interstate common line support.

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In February of this year, the Commission designated a wireless ETC, LCW Wireless, LLC dba Cricket Wireless (Cricket), to receive only low income, and not high cost, USF support. The Commission is not required to recertify the company to the FCC and USAC each year because Cricket does not receive rural high cost support. However, Cricket is required to submit an annual report to the Commission in order to provide evidence that it is fulfilling its universal service obligations. Cricket filed the required report on time.⁸

C. Certification of Non-Rural ILEC Rates in Rural Service Areas

In October 2003, the FCC issued Order No. 03-249, which added Section 54.316 to the FCC rules.⁹ This section requires state public utility commissions to certify that the basic service rates charged by non-rural ILECs in their rural service areas are reasonably comparable to urban rates nationwide. This determination is made by comparing the basic service rates charged by non-rural ILECs in their rural service areas to a national average benchmark for urban basic service rates as calculated by the FCC. For purposes of this comparison, the FCC has specified a "safe harbor" mechanism which allows non-rural basic service rates to be presumed reasonable if they are less than two standard deviations above the national average urban benchmark. For example, the FCC's most recently calculated national average rate for basic service in urban areas is \$25.62.¹⁰ The rate two standard deviations above this benchmark is \$36.52. States with non-rural ILEC rates below \$36.52 in their rural service areas are presumed to have basic service rates reasonably comparable to those charged in urban areas. States with non-rural ILEC rates that equal or exceed \$36.52 in rural areas must explain to the FCC why such rural and urban rate differentials are reasonable.

Failure to provide this annual certification to the FCC and USAC by October 1st of each year will prevent non-rural ETCs in Oregon from receiving federal forward-looking high cost fund support, also called High Cost Model support. Qwest and Frontier are the only two non-rural ILECs in the state of Oregon. However, as is the case with non-rural ILECs in 40 of the 50 states, neither

⁸ In August of this year, Cricket Communications, Inc. gained 100% control of LCW Wireless LLC. Cricket Communications, Inc. has committed to meeting all requirements for continued ETC status.

⁹ See *In the Matter of Federal-State Joint Board on Universal Service*, Order on Remand, FNPRM, and MO&O, CC Docket 96-45 (released Oct. 27, 2003).

¹⁰ The rates for this year's certification are taken from Table 1.13 of the 2008 edition of the FCC publication entitled, *Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service*. The FCC ceased compiling the information and publishing this report as of 2008.

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Qwest nor Frontier receives federal High Cost Model support despite the fact that they both provide service in high cost rural areas. The lack of federal support for these carriers emphasizes the importance of the Oregon Universal Service Fund (OUSF), which was designed to achieve the comparability between rural and urban rates mandated by Section 254(b) of the Act.¹¹ Because no federal High Cost Model support is available to Qwest and Frontier, the OUSF currently distributes approximately \$2.7 million per month to subsidize the basic service rates of these carriers in their high cost rural service territories.

Although neither Qwest nor Frontier receive federal High Cost Model support in Oregon, submitting the required demonstration will help the FCC to insure that federal and state universal service funding mechanisms are sufficient to meet the objectives of Section 254(b) of the Act, which provides that consumers in rural, insular and high cost areas should have access to telecommunications services at rates that are "reasonably comparable" to rates charged for similar services in urban areas.

Exhibit B to this report summarizes the basic service rates charged by Qwest and Frontier in each rural Oregon county where they provide service.¹² Consistent with the methodology used by the FCC to calculate the national urban benchmark, the basic service rates calculated for Qwest and Frontier for this analysis include charges for the following: flat rate service, extended area service, federal Subscriber Line Charge, Oregon Residential Service Protection Fund surcharge, E911 surcharge, city and county franchise fees, miscellaneous taxes, Oregon PUC fee assessment, Oregon Universal Service Fund surcharge, federal excise tax, and federal Universal Service Fund surcharge. Pursuant to section 54.316(d) of the FCC rules, the basic service rates are those for July 1, 2010.

As illustrated in Exhibit B, Qwest's basic service rates in rural Oregon counties range from \$23.78 to \$26.95 per month. Frontier's basic service rates in rural Oregon counties range from \$22.12 to \$28.64. All of these basic service rates are significantly below the safe harbor threshold of \$36.52 set by the FCC, and many are below the national average urban benchmark of \$25.62. Therefore,

¹¹ The FCC's regulations concerning whether an ILEC is considered to be "rural" or "non-rural" are somewhat arcane. Basically, an ILEC is considered to be a rural company if it serves less than 100,000 access lines in a single study area. By default, Qwest and Frontier are the only non-rural ILECs in Oregon.

¹² The FCC requires state commissions to follow guidelines issued by the federal Office of Management and Budget (OMB) which publishes, and routinely updates, a list of metropolitan statistical areas in the United States. Pursuant to the OMB's methodology, any county which does not include a metropolitan statistical area is considered to be rural. Under this definition, only 10 of Oregon's 36 counties are considered to be non-rural.

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pursuant to Section 54.316 of the FCC rules, they are presumed reasonably comparable to urban basic service rates nationwide and the Commission is not required to provide any additional explanations or analysis to the FCC or USAC.

PROPOSED COMMISSION MOTION:

An order be issued in Docket UM 1477:

1. Certifying that the rural ILECs and CETCs listed in Exhibit A are authorized to receive federal universal service high cost support pursuant to 47 C.F.R. § 54.314;
2. Accepting the 2010 annual recertification filings of all ETCs currently designated in Oregon; and
3. Certifying that the basic service rates charged by Oregon's non-rural ILECs in their rural service areas are reasonably comparable to urban basic service rates nationwide pursuant to 47 C.F.R. § 54.316.

UM 1477 Annual Recert. PM Memo.doc

Exhibit A

**Eligible Telecommunications Carriers (Oregon Rural ILECs and CETCs)
Certified to Receive Federal Universal Service Fund High Cost Support**

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28 United Telephone Co. of the Northwest <i>dba CenturyLink</i>	532400
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31 United States Cellular Corporation	539002
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33 Eagle Telephone System, Inc. <i>dba Snake River PCS</i>	539007
34 AT&T Mobility LLC <i>fka Cingular Wireless</i>	539006

Exhibit B**Summary of Non-Rural ILEC Basic Service Rates in Rural Oregon Counties
As of July 1, 2010**

Qwest Exchange	Rural County	Monthly Rate	Frontier Exchange	Rural County	Monthly Rate
Baker City	Baker	\$ 24.17	Bandon	Coos	\$ 28.09
Sumpter	Baker	\$ 23.78	Coos Bay-N. Bend	Coos	\$ 24.80
Astoria	Clatsop	\$ 24.17	Coquille	Coos	\$ 28.64
Cannon Beach	Clatsop	\$ 24.86	Lakeside	Coos	\$ 28.09
Seaside	Clatsop	\$ 24.17	Myrtle Point	Coos	\$ 28.28
Warrenton	Clatsop	\$ 24.17	Powers	Coos	\$ 28.28
Westport	Clatsop	\$ 25.95	Brookings	Curry	\$ 22.12
Prineville	Crook	\$ 26.28	Gold Beach	Curry	\$ 22.50
Oakland-Sutherlin	Douglas	\$ 25.28	Langlois	Curry	\$ 23.41
Roseburg	Douglas	\$ 25.28	Port Orford	Curry	\$ 23.41
Camp Sherman	Jefferson	\$ 26.95	Reedsport	Douglas	\$ 23.82
Culver	Jefferson	\$ 26.28	Murphy-Provolt	Josephine	\$ 28.20
Madras	Jefferson	\$ 26.28	Mill City	Linn	\$ 28.20
Grants Pass	Josephine	\$ 25.16	Cove	Union	\$ 24.94
Klamath Falls	Klamath	\$ 24.17	Elgin	Union	\$ 24.50
Newport	Lincoln	\$ 23.94	Imbler	Union	\$ 24.50
Siletz	Lincoln	\$ 26.52	La Grande	Union	\$ 23.88
Toledo	Lincoln	\$ 25.14	Union	Union	\$ 24.94
Albany	Linn	\$ 25.32	Enterprise	Wallowa	\$ 23.83
Harrisburg	Linn	\$ 26.28	Joseph	Wallowa	\$ 23.83
Athena-Weston	Umatilla	\$ 26.40	Lostine	Wallowa	\$ 23.55
Hermiston	Umatilla	\$ 23.91	Wallowa	Wallowa	\$ 23.41
Milton-Freewater	Umatilla	\$ 25.28			
Pendleton	Umatilla	\$ 24.17			
Stanfield	Umatilla	\$ 25.28			
Umatilla	Umatilla	\$ 25.28			
Walla Walla	Umatilla	\$ 24.86			

Benchmarks from FCC 2008 Reference Book, Table 1.13:

National average rate in urban areas: \$25.62

"Safe Harbor" rate: \$36.52

As of 2008, the FCC no longer produces the above noted reference book.